INTA Position Paper

INTA is an International Urban Development Association, and since its creation 40 years ago, gathers decision-makers, public and private practitioners who intend to pool and share their knowledge and expertise, experiences and practices for the betterment of the integrated sustainable urban development.

For the past 18 months, the INTA membership has participated in a working programme we called the "INTA Initiative for Habitat III" with the purpose to give sense and clarify both the critical issues and the relevant actors engaged in planning future urban development policies.

Out of this Initiative has been produced our contribution to Habitat III, available in English, French and Spanish.

The following text is a contribution, among several others, that are available at: ***https://www.inta-aivn.org/en/contributions-h3***

Financialization and planning

According to *Forbes* magazine, financialization is defined as the "growing scale and profitability of the finance sector at the expense of the rest of the economy and the shrinking regulation of its rules and returns." The success or failure of the financial sector has had serious effect on the rest of the economy and most of its returns have gone to the wealthy driving inequality.

Financialization describes the growing power of finance capital over economic, social and political processes. From an urban point of view financialization can also be understood as a form of accumulation characterized by the capturing of value and wealth through the provision of credit, insurance and forms of financial intermediation

The role of finance and financial actors in shaping the city is increasingly key to understanding some contemporary urban problems. Why are rents rising? Why is office space being built when we're in the middle of a homelessness crisis and desperately need to increase the supply of affordable housing? How and where is profit being produced from urban space and what are the likely outcomes of this type of model? All of these questions in some way relate to how finance shapes the city.

Profiting without producing'.
Much of the expansion of finance in this regard has occurred in the spaces left open by welfare retrenchment. The privatization of social housing, transport, education and healthcare has been instrumental to the emergence of new financial markets. This draws attention to shift from 'welfare to debt fare' and thus to the ways in which finance "install" itself into the social reproduction previously sustained by public services.

To avoid further misunderstandings I would clarify the patterns of financialization in the context of urban and territorial development.

Privatisation is the private ownership of land and production of buildings, a fact as ancient as the city itself; there is an historical link between finance and the built environment due to the large upfront capital costs of development and the need to manage risks across long time spans, Privatisation means also the private status of some, or most of the city services (hygiene, security, distribution of fluids, collective transport, housing). The public status of urban services is not a duty and many cities under financial constraints rely on the private sector for the provision of adequate services (telecom).
The city is a private asset

Partnership is a contractual arrangement between a public authorities and the private sector in various fields: management of services, infrastructures, or partnering in large scale urban projects (SEM, PFI, PPP…). *Recent Economic Nobel Prize to contract*
The city is a common asset shared by several urban actors

Financialization is to profit from the production of urban space without production of urban or social value (highly speculative and risky city loans, for ex. the toxic loans, speculative urban projects in Asia or Africa); or rather the capacity of investors to generate 'capital rent' by capturing "socially produced value". Investors have come to view property as a "tradable income yielding asset"
The city is a financial asset (a commodity) that relies on violence and corruption to control land and properties, urban services and construction.

These various modes, virtuous or not, of producing the city signal the existence of new breed of city builders, the real estate developers in association with banking interests. One has to recognize the existence of networks of private actors (real estate consultants, property analysts, property developers, investors and banks, architects and planners, chartered surveyors, building contractors…) forming coalitions with local, but also national public actors, that are at the centre of new forms of negotiations (development instruments) in order to "install" financial capital in a local context; some try to play fair while others optimise the situation to their sole benefit.

Is planning enough to resist financialization? (*Main basse sur la ville - Hands Over the City*)

As a consequence of financialization properties are characterized by standardization as a result of the role played by the "coalition" of private real estate actors, working on behalf of their investment clientele, in selecting would-be tenants on the basis of what is believed to be the best risk-adjusted returns. A similar process is observed with buildings' location (e.g. distance to public transportation, density of surrounding offices) and technical features (e.g. floor size, ceiling height, adaptability and flexibility, integration with the surrounding urban fabric) that are expected by finance capital investors. [1] The result is a spatial segregation between "high financial capital" neighbourhoods and "high social" neighbourhoods.

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[1] Antoine Guironnet & Ludovic Halbert 2014, « The Financialization of Urban Development Projects: Concepts, Processes, and Implications », Document de travail du LATTS - Working Paper, n° 14-04, décembre 2014

In my view, planning is a too weak instrument to enforce norms and regulations on pure market players (except in some countries with long tradition of planning (Europe). Planning aiming to enhance sustainability competes with development for maximising profit.

Even if enforcement mechanisms exist (planning and building codes, development vehicle (EPA, Development Corporation, Municipal Corporation (SEM)), judicial courts, sanctions...) in many countries they are insufficient to counteract the pressure of financialization. It is the responsibility of the public authorities to resist, or to better negotiate with the investors; a weak political control, despite public participation, does not help much.

Which soft instruments put in action?

Adapt the contractual instruments to the changes in the local situations to avoid the gap between what is written in the contract and the real situation

Engage the private sector operators or investors much ahead in the planning of the built environment in order to build trust and confidence between the partners; play on the "ability of property developers to engage in landownership, given the decreasing ability of public authorities to engage in costly landbanking"

Soften the rules of public bidding to avoid collusion and market distortions;

Diversify the urban offer (housing, offices, infrastructures) to diversify the investors;

Maintain the political control over the output of property development though zoning powers and proper phasing of the urban projects

Innovate in the funding mechanisms (crowd funding, land trust,..) in order to lessen the place of private assets in financing the city; explore a new framework in which public authorities and the redevelopment of their territories rely less on property market actors and resources

Reinforce the ability of ad-hoc public development agencies to capture sufficient value from land and urban transformation;

Review existing patterns of land redevelopment which would put the financing of social housing, infrastructure, and green spaces at the mercy of the optimisation of the rent-gap created by developers and its taxation by local powers.